



Auto-Enrollment Retirement Plans in OregonSaves

*John Chalmers, Olivia S. Mitchell, Jonathan Reuter, and Mingli Zhong**

OregonSaves opened to a small number of pilot employers in July 2017, and to employers with 100+ employees in November 2017. Over the next two years, progressively smaller employers joined in four waves, and the final wave (firms with four or fewer employees) was targeted for 2022.

The state-based retirement savings plan is structured as a Roth independent retirement account (IRA) with automatic enrollment; the default savings rate is 5% of after-tax income, with automatic escalation of 1% per year to a maximum of 10%. Unless a worker elects otherwise, the first \$1,000 contributed to the worker's account is invested in a stable value fund, and all additional contributions are invested in a target date fund with an age-65 retirement target. Unlike in a typical 401(k) plan, there is no employer match, but neither is there automatic withdrawal of modest account balances following job turnover.

Workers served by OregonSaves

The data begin in August 2018 and end in April 2020. While OregonSaves serves employers across 18 broad industries, the typical employee works in an industry with low wages and high turnover. The top three industries are food services (representing 31.5% of employees), business support (11.4%), and health care (9.3%). Across all contributors, the average imputed monthly after-tax income is \$2,365. Under the assumption of steady annual employment, the average implied annual after-tax income is \$28,378, less than half of the nationwide average of \$54,129 (Current Population Survey 2019). Moreover, for many of the employees targeted by OregonSaves, the assumption of steady employment is unrealistic. Based on observed changes in employment status, the likelihood that an employee covered by OregonSaves stops working at a given employer over the next 12 months is 38.2%. The two

* **John Chalmers** is the head of the Department of Finance and the Abbott Keller Professor of Finance at the University of Oregon's Lundquist College of Business. **Olivia S. Mitchell** is the International Foundation of Employee Benefit Plans Professor, business economics and public policy professor, insurance and risk management professor, and the executive director of the Pension Research Council at the Wharton School of the University of Pennsylvania. **Jonathan Reuter** is an associate professor of finance at Boston College's Carroll School of Management. **Mingli Zhong** is a research associate at the Urban Institute's Center on Labor, Human Services, and Population. This research brief is based on working paper MRDRC WP 2021-425, UM19-03.

highest annual turnover rates are in health care (46.6%) and food services (43.9%). Because many employers appear not to report turnover to OregonSaves, actual turnover rates are likely much higher.

Account balances and participation rates

Plan assets increased from \$6.7 million to \$51.0 million during our sample period, and to \$118.9 million by the end of June 2021. The number of funded accounts grew from 17,830 in August 2018, to 67,731 in April 2020, to 110,047 in June 2021. Over this same period, the average account balance grew from \$375 to \$754 to \$1,080.

Of the 289,657 employees in our data set, 117,345 formally opted out by April 2020, for an implied participation rate of 59.5%. Nevertheless, many of participating employees had yet to contribute to their OregonSaves account. Some set their savings rate to 0% without formally opting out; some left their employer before an OregonSaves

contribution was processed; and some worked at an employer that had not begun processing OregonSaves contributions. If we divide the number of employees with positive account balances in April 2020 by the number of employees working at employers that had begun to process OregonSaves contributions, the participation rate is 34.3%.

Reasons for opting out

Employees who formally request to opt out of OregonSaves were asked to provide the administrator with their primary reason for doing so. The two most popular were “I can’t afford to save at this time” (28.6% of opt outs) and “I have my own retirement plan” (23.9% of opt outs). Those offering the first answer reinforce the fact that OregonSaves targets employees in industries with low wages and high turnover. The fact that fewer than 10% of employees offered the second answer suggests that the vast majority of employees were not saving for retirement before OregonSaves was introduced. ❖

Michigan Retirement and Disability Research Center

Institute for Social Research
426 Thompson Street, Room 3026
Ann Arbor, MI 48104-2321

Phone: (734) 615-0422 **Fax:** (734) 615-2180

mrdrumich@umich.edu www.mrdrc.isr.umich.edu

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